

Message Text

CONFIDENTIAL

PAGE 01 ROME 09705 072155Z

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E.O. 11652: XGDS-1

TAGS: ENRG, IT, US

SUBJECT: SECOND MEETING OF US-ITALY ENERGY WORKING GROUP,
ROME, JUNE 28, 1975

31. MIGIUOLO NOTED THE COMMENTS ON URANIUM REPROCESSING IN THE NEW ENRICHMENT PACKAGE. HE COMPLAINED THAT A REGIONAL REPROCESSING CENTER WHICH DID NOT INVOLVE THE TRANSFER OF TECHNOLOGY, BUT ONLY THE TRANSFER OF THE ACTUAL MATERIALS FROM ITALY TO THE US AND VICE VERSA, WOULD CAUSE SERIOUS PROBLEMS.

32. ENDERS EMPHASIZED THAT WE SHOULD NOT PROCEED TO DISCUSS TECHNOLOGY TRANSFER AS AN ABSTRACT PRINCIPLE. WE SHOULD RECOGNIZE THE ECONOMIC, COMMERCIAL, TECHNICAL AND OTHER IMPLICATIONS. HE EMPHASIZED THE IMPOSSIBILITY OF MAKING A MEANINGFUL GENERAL STATEMENT AND NOTED THAT IMPORTANT QUESTIONS OF US NATIONAL INTEREST WERE INVOLVED. THE USG WOULD BE ATTENTIVE TO ITALIAN REQUESTS IN THIS AREA AND WOULD SEEK TO BE RESPONSIVE.

33. HELFRICH SAID THAT WITH REGARD TO REPROCESSING, MANY COUNTRIES HAD APPROACHED THE US. BUT, AS A MEASURE OF THE DIFFICULTIES OF THE TECHNOLOGY INVOLVED, NO REPROCESSING
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 09705 072155Z

PLANTS WERE CURRENTLY OPERATING ANYWHERE IN THE WORLD.

IMPORTANT SAFETY AND SECURITY PROBLEMS EXISTED AS WELL AS THE PROBLEM OF SHARING THE TECHNOLOGY. THE USG HAS PROPOSED THE CONSTRUCTION OF A MULTINATIONAL REGIONAL PLANT, WHICH IT BELIEVED PREFERABLE TO NATIONAL SOLUTIONS. HE NOTED THAT NO DETAILED DISCUSSION WERE POSSIBLE AT THIS TIME DUE, AT LEAST IN PART TO ENVIRONMENTAL CONSIDERATIONS AND TO OTHER CONSIDERATIONS REGARDING PLUTONIUM RECYCLING, WHICH WOULD BE AGGRAVATED IF REPROCESSING PLANTS WERE TO BE BUILT IN THE COUNTRY.

34. MIGIUOLO ASKED FOR IMPROVED COMPREHENSION OF THE PROBLEM, AND RECALLED THE GOI PROPOSAL TO STATION GOI TECHNICIANS AT US REPROCESSING FACILITIES. HE EMPHASIZED THAT THE US PROPOSAL FOR A REGIONAL MULTINATION CENTER WOULD BE STUDIED BUT THAT THE ITALIAN REQUEST BE CONSIDERED IN THE SPIRIT OF PRESIDENT FORD'S FEBRUARY 1 LETTER AND THE KISSINGER LETTER OF TWO DAYS AGO (JUNE 26).

35. ENDERS SAID THAT WASTE MANAGEMENT TECHNOLOGY SEEMED TO BE A PROMISING AREA FOR COLLABORATION, AND THAT RE-PROCESSING TECHNOLOGY WAS MUCH MORE DIFFICULT. COLLABORATION IN THE WASTE MANAGEMENT AREA WOULD BE BROUGHT TO THE ATTENTION OF RESPONSIBLE PERSONS. REFERENCE TO "SCIENTISTS" IN THE US DRAFT PAPER (REFTEL PARAGRAPH 19) COULD BE INTERPRETED AS "TECHNICIANS".

36. MIGIUOLO REGRETED THE LACK OF SPECIFICITY IN ITALIAN PROPOSALS ON THE FINANCING OF THE NUCLEAR PROGRAM. IT WOULD BE POSSIBLE TO PROVIDE MORE DETAIL AFTER THE PROGRAM HAS BEEN APPROVED. IN THE MEANTIME, THE GOI WAS GIVING PRIORITY TO URANIUM PROBLEMS. HE UNDERLINED THE INADEQUACY OF TRADITIONAL FINANCING MEASURES, AND NOTED THAT THE MINISTRY OF INDUSTRY WAS WORKING OUT A FINANCING PROGRAM WHICH INCLUDED:

-- AN INCREASE IN ENEL CAPITAL FUNDS;

-- A DIFFERENT RATE STRUCTURE FOR ENEL, INCLUDING INCREASES;

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 09705 072155Z

-- THE POSSIBILITIES OF FOREIGN FINANCING; AND

-- INTERNAL FINANCING.

WITH RESPECT TO FOREIGN FINANCING, TRADITIONAL EXIM CREDITS WOULD NOT BE SUFFICIENT. IT WAS NECESSARY TO GO BEYOND MERE GENERAL STATEMENTS OF US SUPPORT. HE SAID THAT THE GOI WOULD HAVE ITS FINANCIAL STATISTICS READY AND COULD SUBMIT THEM

VIA IMI, THE BANK OF ITALY AND THE TREASURY TO THE EXPORT-IMPORT BANK AND THE U.S. TREASURY.

37. ENDERS CITED LIMITATIONS ON US FINANCING POSSIBILITIES AND NOTED UNSUCCESSFUL PRESSURES TO CREATE A DOMESTIC US UTILITY FINANCING INSTITUTION. RECALLING THAT MIGIUOLO HAD MENTIONED NEW ENEL RATES, ENDERS SUGGESTED THE POSSIBILITY OF COLLABORATION BETWEEN US AND ITALIAN EXPERTS ON ELECTRICAL RATE SETTING. IT MIGHT BE POSSIBLE TO INCREASE REVENUE THROUGH RE-STRUCTURING OF RATES WITHOUT NECESSARILY IMPOSING A GENERAL RATE INCREASE.

ENDERS ALSO SUGGESTED THAT THE GOI MIGHT CONSIDER INCREASING THE IMPORTED COMPONENTS OF ITALIAN NUCLEAR PLANTS IN ORDER TO MORE EASILY OBTAIN FOREIGN FINANCING. THIS MIGHT BE PARTICULARLY APPROPRIATE IF DOMESTIC CAPACITY WERE INSUFFICIENT. HOWEVER, HE RECOGNIZED THAT, SINCE ELECTRICITY EARNS LITTLE FOREIGN EXCHANGE, THE MAJOR SOURCE OF FINANCING MUST BE DOMESTIC. HE REFERRED TO COMMUNICATIONS FROM PRESIDENT CASEY OF THE EXIMBANK CONCERNING THE BANK'S WILLINGNESS TO PARTICIPATE IN FINANCING THE ITALIAN PROGRAM.

38. MIGIUOLO CITED THE POLITICAL SENSITIVITY OF RATE INCREASES. RATES HAD ALREADY BEEN RAISED 30 PERCENT, AND A FURTHER 50 PERCENT INCREASE WAS FORESEEN BY 1979. ON THE LOCAL CONTENT ISSUE, MIGIUOLO EMPHASIZED THAT THE ITALIAN NUCLEAR PROGRAM WAS PARTLY DESIGNED TO IMPROVE THE CAPABILITY OF ITALIAN INDUSTRY IN THE NUCLEAR ENERGY AREA. THE ITALIAN FOURTH NUCLEAR PLANT, HE NOTED, HAD HAD ONLY 60 PERCENT ITALIAN COMPONENTS. ITALY'S MAJOR NEED WAS FOR FINANCIAL COMMITMENT ON LOCAL COSTS. HE THOUGHT THAT THE PARTICIPATION OF WESTINGHOUSE AND GENERAL ELECTRIC AS LOCENSSSES OUGHT TO JUSTIFY SOME ADDITIONAL EXIMBANK FINANCING.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ROME 09705 072155Z

39. ENDERS REFERRED TO THE LARGE NUMBER OF CLAIMS ON EXIMBANK FOR LOCAL COST FINANCING OF ENERGY PROJECTS. HE COULD NOT GIVE THE MINISTER MUCH ENCOURAGEMENT REGARDING THIS TYPE OF FINANCING. HE THOUGHT IT WOULD BE BETTER TO WAIT TO SEE WHAT THE ITALIAN FINANCING PLAN LOOKED LIKE. THE USG COULD THEN REFLECT ON WAYS IT MIGHT BE ABLE TO HELP, WITHIN ITS LIMITED POSSIBILITIES.

40. MIGIUOLO SAID THAT OBTAINING ACCESS TO FOREIGN FINANCIAL MARKETS FOR A SIGNIFICANT AMOUNT OF FINANCING WAS VERY IMPORTANT TO ITALY. THE GOI WAS WELL AWARE OF THE DIFFICULTIES. THIS MADE IT IMPORTANT TO BE INVENTIVE IN DEVISING NEW METHODS OF OBTAINING FOREIGN FINANCING. HE CITED THE EURODIF CASE WHERE THE EUROPEAN INVESTMENT BANK

(EIB) HAD ACTED AS THE CENTRAL NUCLEUS OF A BROAD FINANCIAL OPERATION WHICH INCLUDED RECOURSE TO CREDITS FROM THE BANKING SYSTEM. HE THOUGHT THAT US AUTHORITIES COULD BEGIN NOW TO STUDY WAYS IN WHICH EXIMBANK MIGHT ACT AS THE CENTRAL POINT FOR OBTAINING FOREIGN FINANCING, WITH THE COOPERATION OF WESTINGHOUSE AND GENERAL ELECTRIC. PERHAPS EXIM COULD HEAD A CONSORTIUM WITH THE PARTICIPATION OF US BANKS WHICH COULD SEEK FINANCING IN THE US AND INTERNATIONAL CAPITAL MARKETS. THE MINISTER KNEW THAT HE COULD NOT EXPECT A PROMPT ANSWER TO SUCH A IDEA, BUT HE ASKED THE US DELEGATES TO BEGIN NOW TO EXAMINE "EXCEPTIONAL" EXIMBANK FINANCING SCHEMES. IN THE MEANTIME THE GOI WOULD MAKE ITS FINANCIAL PLAN AVAILABLE SHORTLY VIA THE ITALIAN EMBASSY IN WASHINGTON.

41. ENDERS NOTED THAT A KEY FACTOR IN DETERMINING THE AMOUNT OF CREDIT AVAILABLE WOULD BE THE TOTAL FOREIGN INDEBTEDNESS OF ITALIAN AGENCIES, AND THAT THE FORMAT OF THE LENDING PACKAGE AND CONSORTIUM WAS LESS IMPORTANT THAN THIS FACTOR. HE SAID THAT MIGUIOLO'S SUGGESTION WOULD BE PASSED ON TO THE EXIMBANK, ALTHOUGH HE THOUGHT THAT THE BANK HAD NEVER ACTED IN THE CAPACITY BEFORE. THE USG WOULD ALSO BE GLAD TO LOOK AT THE GOI FINANCING PLAN.

42. MIGUIOLO CONFIDENTIALLY NOTED THAT THE GOI, BECAUSE OF POLITICAL AND SOCIAL PROBLEMS IN ITALY, HAD BEEN BEHIND OTHER COUNTRIES IN DEVELOPING ITS FINANCIAL SYSTEM AND IN CONFIDENTIAL

CONFIDENTIAL

PAGE 05 ROME 09705 072155Z

TAKING UNPLEASANT DECISIONS WITH RESPECT TO PRICES. HOWEVER, THE MINISTER OF TREASURY WANTED TO IMPROVE THE FINANCIAL POSITION OF THE ENTIRE ENERGY SECTOR. HE WANTED ENEL TO BE ABLE TO RESORT TO THE MARKET IN A GOOD FINANCIAL POSITION. THE USG, ON ITS SIDE, COULD USE ITS INFLUENCE WITH EXIMBANK AND WITH US BANKS TO ENCOURAGE THEIR FINANCIAL PARTICIPATION IN THE ITALIAN PROGRAM.

43. ENDERS EMPHASIZED THAT USG EXPERTS WOULD STUDY THE ITALIAN FINANCING PROPOSALS IN THE SPIRIT SUGGESTED BY THE GOI, WITHOUT A PRIORI EXCLUDING ANY SOLUTION. VOLPE

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